CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Steven E. Moore, President
Home Security Life Insurance Company
815 Hardy Street
Hattiesburg, MS 39401

RE: Report of Examination as of December 31, 2007

Dear Mr. Moore:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY

J. Mark Haire
Special Assistant Attorney General

MC/JMH/bs
Encls. Order w/exhibit
BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI

IN RE: REPORT OF EXAMINATION OF HOME
SECURITY LIFE INSURANCE COMPANY

CAUSE NO. 08-5816

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss.

II.

That Home Security Life Insurance Company is a Mississippi-domiciled Company licensed to write Industrial Life; Industrial Accident and Health; and Life (Burial) coverages.
FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Home Security Life Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about May 21, 2008, the draft Report of Examination concerning Home Security Life Insurance Company for the period of January 1, 2005 through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

V.

That on or about August 20, 2008, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. The Company did not submit a written response or rebuttal to the Department.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.
IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination and all relevant examiner work papers, that the Report of Examination of Home Security Life Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Home Security Life Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Home Security Life Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 4th day of December, 2008.

MIKE CHANEY
COMMISSIONER OF INSURANCE
CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of
the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by
certified mail, postage pre-paid, return receipt requested, on this the 4th day of December, 2008,
to:

Mr. Steven E. Moore, President
Home Security Life Insurance Company
815 Hardy Street
Hattiesburg, MS 39401

J. Mark Haire
Special Assistant Attorney General

J. Mark Haire
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 2065
Mississippi Insurance Department

Report of Examination

of

Home Security Life Insurance Company

815 Hardy Street
Hattiesburg, Mississippi 39402

As of December 31, 2007

NAIC Company Code 75353
NAIC ETS No. MS029-C40
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES USED IN AN EXAMINATION

State of Mississippi,

County of Hinds,

R. Dale Miller, CFE, CPA, being duly sworn, states as follows:

1. I have authority to represent the State of Mississippi in the examination of Home Security Life Insurance Company as of December 31, 2007.

2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

3. I have prepared the examination work papers and examination report, and the examination of Home Security Life Insurance Company, as of December 31, 2007, was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

R. Dale Miller, CFE, CPA
Examiner-In-Charge

Subscribed and sworn before me on this __ day of September, 2008.

(SEAL)

Notary/Public

My commission expires

Home Security Life Insurance Company
Examination as of December 31, 2007
April 30, 2008

Honorable Mike Chaney
Commissioner of Insurance
State Fire Marshal
Mississippi Insurance Department
501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079

Dear Mr. Chaney:

Pursuant to your instructions and authorization, and in compliance with statutory provisions, an examination as of December 31, 2007 has been conducted of the affairs and financial condition of:

HOMES SECURITY LIFE INSURANCE COMPANY
(NAIC COMPANY CODE 75353; NAIC-ETS NUMBER MS029-C40)
Statutory Home Office:
815 Hardy Street
Hattiesburg, Mississippi 39402

The examination was performed at Home Security Life Insurance Company's (HSLIC or Company) statutory home office and at the Mississippi Insurance Department (MID), and was conducted in accordance with Miss. Code Ann. §83-1-201, et seq., and the report of examination is herewith submitted.
INTRODUCTION

The examination period, for purposes of this report, is defined as January 1, 2005 through December 31, 2007, and the examination date is December 31, 2007. The examination was performed by examiners representing the MID and covered the Company’s operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company’s previous examination was as of December 31, 2004, and the previous report of examination was dated April 8, 2005.

SCOPE OF EXAMINATION

The examination of the Company was a full scope financial examination conducted in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, as well as the MID, and included an assessment of the Company’s financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with applicable laws.

The examiners tested the underlying data for the Company’s reserve provisions; however, the amounts reported within this report for reserves, including any related items, was based on the review and opinion of the examination actuary who was assigned to the examination by the MID. A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company’s market conduct activities.

HISTORY OF THE COMPANY

The Company was incorporated under the laws of the State of Mississippi and licensed effective January 8, 1973 to issue industrial life and accident and health insurance contracts and burial contracts.

HOLDING COMPANY SYSTEM

Organizational Structure
The Company was a member of an insurance holding company system, as defined in Miss. Code Ann. §83-6-1. During 2007, the Company filed Holding Company Registration Statements with the MID in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9. The Company’s ultimate controlling parties were Steven and Gregory Moore who together own 978 shares (489 each) of the Company’s 1,000 shares of outstanding stock. The following organizational chart depicts the Company’s direct line of ownership as of December 31, 2007.
Related Party Transactions

Lease Agreement: The Company, effective October 1, 2002, entered into a lease agreement with Moore Funeral Homes, Inc. (MFH), whereby the Company leased office space from MFH. Under the terms of this agreement, the Company incurred rental expense of $12,000 for each year of the examination period.

Service Agreement: Effective August 1, 1973, the Company entered into a service agreement with Moore Burial Association and South Mississippi Burial Association (the burial associations). The Company amended the agreement effective January 1, 1986, in order to add Saulters-Moore Funeral Association as a party to the agreement. Under the terms of the agreement the Company was to collect Class “A” premiums, write and issue new polices, maintain adequate records, pay all salaries, commissions and other expenses incurred and to retain thirty-percent (30%) of the premiums collected as consideration for services rendered. Monies held by HSLIC in excess of the amounts required by this agreement were to be paid to the burial associations as agency fees. It was noted that during the period covered by this examination the Company was not fully compliant with the aforementioned written management agreement. It is recommended that the Company fully comply with the terms of the agreement and account for said agreement in accordance with applicable Statutory Guidance including SSAP No. 97.

Additionally, it was noted that premiums received and claims paid for business written through affiliated burial associations, commonly referred to as “Class A business”, were integrated in the Company’s books and records. The related monies and accounting for these transactions were not segregated in a manner to provide sufficient detail to determine the potential receivable and payable amounts and the related income and expense amounts that could result from the above mentioned agreement. As a result, it does not appear that the Company is accounting for the agreement in a fashion that allows for reasonable assurance to be gained regarding the transactions covered by the agreement and the related impact on the Company’s surplus position. It is recommended that the transactions related to the business commonly referred to as “Class A business” be adequately segregated from the Company’s records in order to determine compliance with the related service agreement.
MANAGEMENT AND CONTROL

Stockholders
The Company is a Mississippi domestic stock insurance company with 1,000 shares ($100 par value) of outstanding common stock as of the examination date. The Company was wholly owned by the Moore Family with Steven E. Moore and Gregory E. Moore together owning approximately 98% of the outstanding stock. In 2007, the Company paid an ordinary dividend to stockholders of $65,000.

Board of Directors
The Articles of Association and Bylaws vest the management and control of the Company’s business affairs with the Board of Directors (Board). The members of the duly elected Board along with their place of residence and principal occupation, as of the examination date, follows:

<table>
<thead>
<tr>
<th>NAME AND PLACE OF RESIDENCE</th>
<th>PRINCIPAL OCCUPATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. David S. Moore</td>
<td>Physician</td>
</tr>
<tr>
<td>Hattiesburg, Mississippi</td>
<td></td>
</tr>
<tr>
<td>Mr. Gregory E. Moore</td>
<td>Vice President and Treasurer</td>
</tr>
<tr>
<td>Hattiesburg, Mississippi</td>
<td>Moore Funeral Homes, Inc.</td>
</tr>
<tr>
<td>Mr. Steven E. Moore</td>
<td>President</td>
</tr>
<tr>
<td>Hattiesburg, Mississippi</td>
<td>Home Security Life Insurance Company</td>
</tr>
<tr>
<td>Mr. Richard E. Taylor</td>
<td>Manager</td>
</tr>
<tr>
<td>Hattiesburg, Mississippi</td>
<td>Home Security Life Insurance Company</td>
</tr>
</tbody>
</table>

The following officers were duly elected by the Board and holding office at December 31, 2007:

<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. David S. Moore</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>Mr. Steven E. Moore</td>
<td>President</td>
</tr>
<tr>
<td>Mr. Gregory E. Moore</td>
<td>Vice President, Secretary and Treasurer</td>
</tr>
</tbody>
</table>

Committees
There were no active committees of the Board as of the examination date.

Conflict of Interest
The Company’s officers and directors prepared conflict of interest statements that covered the examination period, and no material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties was noted.
CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board prepared during the period under examination were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation and/or approval.

DIRECTORS', OFFICERS', EMPLOYEES', AND AGENTS' WELFARE

The Company provided a generally complete health and welfare program for all eligible employees. In addition, the Company sponsored a contributory tax favored deferred compensation program (401K) for all eligible employees. Pursuant to the terms of this program, an employee may contribute up to a maximum of 20% of their salary. The Company may also elect to contribute discretionary amounts equal to a predetermined percentage of the employee’s annual salary.

FIDELITY BONDS AND OTHER INSURANCE

Insurance policies were active at December 31, 2007 that appeared to be adequate to protect the Company’s interest, and the fidelity insurance coverage exceeded the NAIC’s suggested minimum amount.

ACCOUNTS AND RECORDS

The Company’s records and accounting processes were maintained through the use of desktop computers. The Company’s annual statement was prepared by an outside accounting firm. The Company’s reserves were calculated and opined by an independent actuary who also prepared the Company’s income tax returns.

It was noted during this examination that the Company’s custodial agreement with Gunn Allen Financial did not contain certain safeguards and controls as prescribed by the NAIC. It is recommended that the Company amend its custodial agreement with Gunn Allen Financial in order to include all of the requirements set forth by the NAIC.

STATUTORY DEPOSITS

The fair value of the Company’s statutory deposit with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2), and the following chart displays the Company’s pledged investments at December 31, 2007:

<table>
<thead>
<tr>
<th>Description of Security</th>
<th>Par Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate of Deposit</td>
<td>$ 56,634</td>
<td>$ 56,634</td>
</tr>
<tr>
<td>Certificate of Deposit</td>
<td>$ 54,891</td>
<td>$ 54,891</td>
</tr>
<tr>
<td>Certificate of Deposit</td>
<td>$ 27,645</td>
<td>$ 27,645</td>
</tr>
<tr>
<td>Certificate of Deposit</td>
<td>$ 25,000</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>Totals</td>
<td>$164,170</td>
<td>$164,170</td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS

The following financial statements consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2007, a Statement of Income for year ended December 31, 2007, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2007 and a Reconciliation of Examination Changes to Surplus and Other Funds for the Year Ended December 31, 2007.
HOME SECURITY LIFE INSURANCE COMPANY
STATEMENT OF ADMITTED ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2007

ADMITTED ASSETS

Bonds $3,349,254
Preferred stocks 828,180
Common stocks 388,420
Real estate 35,798
Cash and short-term investments 861,846
Investment income due and accrued 33,332
Deferred and uncollected premiums 10,224
Electronic data processing equipment 5,007

Total admitted assets $5,512,061

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts $4,469,716
Contract claims: life 9,750
Advance premiums 53,969
Interest maintenance reserve 32,859
General expenses due or accrued 6,500
Taxes, licenses and fees due or accrued 3,307
Federal income tax payable 7,500
Amounts withheld or retained by the company 48
Asset valuation reserve 55,000

Total Liabilities 4,638,649

Common capital stock 100,000
Gross paid in and contributed surplus 5,000
Unassigned funds 768,412

Total capital and surplus 873,412

Total liabilities, surplus and other funds $5,512,061
HOME SECURITY LIFE INSURANCE COMPANY  
STATEMENT OF INCOME  
FOR YEAR ENDED DECEMBER 31, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums and annuity considerations</td>
<td>$916,953</td>
</tr>
<tr>
<td>Net investment income</td>
<td>334,280</td>
</tr>
<tr>
<td>Amortization of interest maintenance reserve</td>
<td>947</td>
</tr>
<tr>
<td>Other Income</td>
<td>40,395</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>1,292,575</strong></td>
</tr>
<tr>
<td>Death benefits</td>
<td>320,651</td>
</tr>
<tr>
<td>Increase in aggregate reserves for life and accident and health policies and contracts</td>
<td>171,520</td>
</tr>
<tr>
<td><strong>Total policy benefits</strong></td>
<td>492,171</td>
</tr>
<tr>
<td>Commissions</td>
<td>198,475</td>
</tr>
<tr>
<td>General insurance expenses</td>
<td>385,049</td>
</tr>
<tr>
<td>Insurance taxes, licenses, and fees</td>
<td>64,689</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>1,140,384</strong></td>
</tr>
<tr>
<td>Net gain from operations before federal income taxes</td>
<td>152,191</td>
</tr>
<tr>
<td>Federal income taxes incurred</td>
<td>7,500</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>$144,691</strong></td>
</tr>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Capital and surplus, beginning of year</td>
<td>$ 557,983</td>
</tr>
<tr>
<td>Net income</td>
<td>94,970</td>
</tr>
<tr>
<td>Change in net unrealized capital gains (losses)</td>
<td>(22,025)</td>
</tr>
<tr>
<td>Change in non-admitted assets</td>
<td>(32,749)</td>
</tr>
<tr>
<td>Dividends to stockholders</td>
<td>0</td>
</tr>
<tr>
<td>Change in asset valuation reserve</td>
<td>20,356</td>
</tr>
<tr>
<td>Surplus as regards policyholders, end of year</td>
<td>$ 618,535</td>
</tr>
</tbody>
</table>
HOME SECURITY LIFE INSURANCE COMPANY
RECONCILIATION OF EXAMINATION CHANGES TO NET INCOME
FOR YEAR ENDED DECEMBER 31, 2007

<table>
<thead>
<tr>
<th>INCOME STATEMENT</th>
<th>BALANCE PER ANNUAL STATEMENT</th>
<th>BALANCE PER EXAMINATION</th>
<th>INCREASE (DECREASE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death benefits</td>
<td>$268,737</td>
<td>$320,651</td>
<td>$51,914</td>
</tr>
<tr>
<td>Other income</td>
<td>(11,519)</td>
<td>40,395</td>
<td>51,194</td>
</tr>
<tr>
<td><strong>Net income per annual statement</strong></td>
<td></td>
<td></td>
<td><strong>144,691</strong></td>
</tr>
<tr>
<td><strong>Net income per examination</strong></td>
<td></td>
<td></td>
<td><strong>$144,691</strong></td>
</tr>
</tbody>
</table>
COMMENTS ON FINANCIAL STATEMENTS

INCOME STATEMENT ACCOUNTS

Death Benefits  $320,651
This caption is $51,914 more than the amount reported by the Company within the filed annual statement. A portion of the death benefits paid by the Company (Class B business) was erroneously deducted in the Company’s calculation of its other income amount related to its service agreement with associated burial associations. Therefore an adjustment was made to the examination report which increased the death benefits paid with an offsetting increase to other income in order to accurately reflect the death benefits paid by the Company during 2007. Additional information related to the Company’s service agreement with associated burial associations can be found within the Related Party Transactions section on Page 4 of this report.

Other Income  $40,395
This caption is $51,914 more than the amount reported by the Company within the filed annual statement. See the above explanation relating to the increase in death benefits for additional information.
MARKET CONDUCT ACTIVITIES

A full market conduct examination in accordance with the NAIC’s Market Conduct Handbook was not performed; however, particular areas of the Company’s market conduct were examined in connection with the financial examination, and no significant exceptions were noted. The particular areas reviewed are as follows:

Complaint Handling
There were no reported complaints against the Company during this examination period.

Marketing and Sales
The Company, during the period under examination, issued industrial life insurance through employee agents. Any advertising for the Company was done in conjunction with the advertising of affiliated funeral homes.

Producer Licensing
The agents writing business for the Company, during the period under examination, was compared against the licenses issued by the MID and no significant exceptions were noted.

Underwriting and Rating
The Company had appropriate licensure to issue its products, and the applicable policy forms were approved by the MID.

Claims
A sampling of claims paid by the Company, for the period under examination, was reviewed without significant exception.

Territory and Plan of Operation
During the examination period, the Company was licensed in the State of Mississippi to issue life and accident and health insurance on the industrial plan.

Privacy
The Company had a privacy policy in place for the protection of its policyholders, and this policy appeared to be in compliance with applicable laws and standards.
COMMENTS AND RECOMMENDATIONS

1. Accounts and Records: It is recommended that the Company amend its custodial agreement with Gunn Allen Financial in order to include all of the requirements set forth by the NAIC. (Page 5)

2. Service Agreement: It is recommended that the Company fully comply with the terms of the agreement and account for said agreement in accordance with applicable statutory guidance including SSAP No. 97. (Page 4)

3. Service Agreement: It is recommended that the transactions related to the business commonly referred to as “Class A business” be adequately segregated from the Company’s books and records in order to determine compliance with the related service agreement. (Page 4)
ACKNOWLEDGMENT

In addition to the undersigned, the examiners representing the Mississippi Insurance Department who participated in this examination are listed below.

Manager: Mr. Joseph R. May, CFE, CPA, CMA, CIE  
Examination Actuary: Mr. Thomas L. Burger, FSA, MAAA

The courteous cooperation extended by the Company is hereby acknowledged and appreciated.

Respectfully,

R Dale Miller, CPA, CFE  
Examiner-In-Charge